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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
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SANDRA D. KENNEDY
COMMISSIONER

PAUL NEWMAN
COMMISSIONER

BRENDA BURNS
COMMISSIONER

BOB STUMP
COMMISSIONER

**IN THE MATTER OF THE)
APPLICATION OF TUCSON)
ELECTRIC POWER COMPANY FOR)
APPROVAL OF ITS 2012)
RENEWABLE ENERGY STANDARD)
IMPLEMENTATION PLAN AND)
DISTRIBUTED ENERGY)
ADMINISTRATIVE PLAN AND)
REQUEST FOR RESET OF)
RENEWABLE ENERGY ADJUSTOR)**

DOCKET NO. E-01933A-11-0269

**ARISEIA'S EXCEPTIONS TO STAFF'S
RECOMMENDED ORDER**

The Arizona Solar Energy Industries Association ("AriSEIA"), by and through its undersigned counsel, hereby files the below comments and Exceptions to Staff's Recommended Order (the "RO") issued in the above referenced matter.

RESPECTFULLY SUBMITTED this 4th day of November, 2011.

Arizona Corporation Commission
DOCKETED

NOV 4 2011

DOCKETED BY

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1 **Original plus 13 copies of the foregoing**
2 **filed this 4th day of November 2011:**

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington Street
6 Phoenix, Arizona 85007

7 *I hereby certify that I have this day served the foregoing documents on all parties of record in*
8 *this proceeding by sending a copy via electronic mail to:*

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1 **I. Introduction**

2 The Arizona Solar Energy Industries Association (“AriSEIA”) is comprised of over 70
3 member companies from all aspects of the Arizona solar industry. In addition AriSEIA has a
4 strong representation in Southern Arizona that is deeply concerned about the reductions to the
5 RES budgets proposed by Tucson Electric Power (“TEP”).

6
7 In the interests of brevity and efficiency AriSEIA would refer the Commission to our
8 filing in the APS 2012 RES Docket (No. E-01345A-11-0264) for a full discussion on the
9 importance of Arizona’s solar industry and the concerns we face in 2012. It is worth repeating,
10 however, that the solar industry is vital to Arizona’s economic and jobs recovery and is
11 accordingly overwhelmingly supported by citizens throughout the State. This is particularly true
12 in the greater Tucson area. As such, TEP’s proposed reductions to the 2012 RES budgets are
13 incredibly troubling and would decimate the industry. In order to avoid this and to ensure a
14 viable long-term market, the Commission must provide some stability for the coming years.

15
16 AriSEIA’s filing in the APS Docket provides an in depth discussion of the need for a
17 stable market over the coming years and we echo that sentiment in this Docket. However the
18 situation is even more precarious in TEP’s service area because, unlike APS, TEP is not subject
19 to a rate case settlement requiring them to add additional renewable resources beyond the RES
20 targets. Thus, without modification to the TEP proposal the industry will face near collapse in
21 the Tucson market.

22
23 Staff appears to recognize the severity of this situation and has provided their Option #2,
24 which AriSEIA believes is workable with some modifications. Again, however, as stated in the
25 APS Docket, we wish to emphasize that AriSEIA’s willingness to accept a modified Option #2 is
26 truly an absolute minimum to avoid collapse of the industry. Further, we believe that additional
27 investment in solar is not only warranted, but provides a significant return on the ratepayer dollar
28 in terms of its greater economic impact; we are hopeful that the Commission will agree.

1 **II. Discussion**

2 **A. Staff's Option #2 With Modifications Is Workable and Is the Minimum**
3 **Necessary to Avoid Industry Collapse in the Tucson Market.**

4 As discussed above, Staff's Option #2 with some minor modifications is the absolute
5 minimum needed for industry survival in the Tucson market. This would, however still lead to
6 reduced investment, lost and forgone jobs, and some failures/exits from the market. This is not
7 in any way hyperbole and we continue to believe that a larger investment in solar is the better
8 policy for Arizona. In order to make Staff's Option #2 workable and to provide a minimum
9 amount of stability to the Tucson Commercial market, AriSEIA respectfully requests the
10 following modifications:

11
12 1. Staff's Option #2 Budgets for Both Residential and Non-Residential Should Be
13 Increased.

14
15 AriSEIA believes the amounts under Staff Option #2 are insufficient to sustain the
16 industry. Companies have made significant investments based on expectations of a stable market
17 and continued support of this vital sector of the industry. Furthermore, AriSEIA feels that it is in
18 the ratepayers' best interest to continue to capitalize on the investments already made in southern
19 Arizona's solar industry. Without continued support the growth and scale that has been achieved
20 will be negated to the detriment of the community and the ratepayers. In the long-term the
21 economic impacts and costs of compliance would be far greater if we force the industry to
22 contract only to require it to ramp back up in 2016 and without the benefit of Federal tax
23 incentives.

24
25 To avoid this and in recognition of the Commissions desires to contain immediate costs,
26 AriSEIA suggests some modest increases in the budgets identified in Staff's Option #2 as
27 reflected in the below table:
28

Customer Sited Distributed Renewable Energy	2012 Staff Option 2	AriSEIA Proposal
Up-front incentive - residential	\$7,689,938	\$9,989,753
Up-front incentive – commercial	\$1,114,510	\$2,414,325
Annual Performance-Based Incentive (PBI)	\$5,972,915	\$6,191,915
Subtotal	\$14,896,894	\$19,496,524

We believe that these numbers are a viable compromise which will be echoed by other industry stakeholders. Again, however this proposal represents the absolute minimum required to avoid serious damage to the industry and reversal of the gains achieved in this market.

ARISEIA PROPOSED AMENDMENT

Page 35, Lines 12-15

DELETE entire paragraph,
and

INSERT NEW ORDERING PARAGRAPH: “IT IS THERFORE ORDERED that the Staff Option 2 is approved with the following changes: 1) the up-front residential incentive budget shall be increased from \$7,689,938 to \$9,989,753; 2) the up-front commercial incentive budget shall be increase from \$1,114,510 to \$2,414,325; and 3) the annual commercial performance-based incentive budget shall be increased from \$5,972,915 to \$6,191,915”

Make all conforming changes

III. Conclusion

With the above changes AriSEIA believes the solar industry can continue to be viable in the Tucson market for 2012. We feel that this compromise will provide the minimum amount of necessary stability and predictability to ensure that the RES requirements beyond 2016 (and beyond Federal tax incentives) can be cost effectively implemented. This support will allow the industry to at least maintain the progress we have made. However, it bears repeating once again

1 that this represents a significant contraction and compromise for the industry. We believe that
2 additional funding would be a better policy and a more cost effective long-term solution and we
3 are continually hopeful that the Commission will recognize this truth.
4

5 Finally, due to the nature of the proceedings in this Docket (i.e. open meeting discussion
6 with the vote to occur at a later date), AriSEIA reserves the option to make any changes to the
7 above positions and amendments that are warranted due to the content of the open meeting
8 discussions. AriSEIA would like to thank the Commission for its continued efforts on behalf of
9 the solar industry and the citizens of Arizona.
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